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MEMORANDUM FOR: Director of Central Intelligence 18 December 1954

SUBJECT : Signature of Contracts

1. PROBLEM: To determine what steps should be taken prior to the signature of contracts with the suppliers for Project Aquatone and when it will be desirable to sign preliminary agreements.

2. FACTS BEARING ON THE PROBLEM:

a. Our three contractors on Project Aquatone have all received oral authorization to proceed with work on their assignments and, in the case of the principal contractor at least, they will begin to incur significant costs within the next few days. (The oral assurance to the principal contractor had been given prior to my assignment or that of other in CIA to this project.) These contractors naturally desire at least a preliminary letter contract as soon as possible.

b. In all cases, both the preliminary and the complete contracts will provide for a price adjustment after completion of the contract which will allow for a post-audit of the companies' records and will preclude the possibility of excessive profits. The contracts will, however, contain a ceiling price so they will not involve open-ended liability. The sum of these ceiling prices will be well within the amount which was authorized to be obligated if necessary for the procurement of equipment.

c. The estimated cost of procurement from the principal contractor and the specifications of the items to be procured are fully known to the knowledgeable persons in the Department of the Air Force and are regarded by them as reasonable. The procedure to be followed under this contract with respect to such matters as inspection and auditing have also been discussed with the knowledgeable Air Force personnel who agree that they are essential in the interest of speed and security. The general character and estimated amounts involved in these contracts are known to members of the Land Panel and are regarded by them as reasonable.

3. CONCLUSIONS:

a. As much information is now available in the case of the largest and most urgent contract, and will be available in a few days in the case of the 2nd largest contract concerning costs and specifications as will be available for a good many weeks or even months. Cost estimates, specifications, and estimates of performance will be revised as the work proceeds but the decision as to the reasonableness of the suppliers proposals will have to be made on the basis of the information now in hand (or shortly to be).

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b. The general form of the contract is believed by the General Counsel to be the most satisfactory that could be devised to fit the needs of the situation. It will provide (at least in the case of the two principal suppliers) for a limitation of their profits in a manner to be approved by you.

c. In order to maintain the momentum of this project and in view of the oral assurances already given the suppliers, it is desirable to sign letter contracts as soon as possible. Since the necessary information is in hand (and the underlying authorization has been granted) it should be possible to take this action as soon as the judgment of the principal knowledgeable persons in the CIA and in the Air Force has been suitably expressed and recorded.

d. The principal step that remains to be taken is to obtain from the appropriate senior knowledgeable persons in the Air Force in writing an expression of their judgment that these contracts are reasonable as to both form and estimated amount. It should be understood, however, that this will not express the judgment of procurement officers, and could not do so without a major expansion of the area of knowledgeability of this project.


4. RECOMMENDATIONS:

a. That I proceed to obtain the necessary assurances with respect to the major contract from the Air Force, preferably in the form of a letter from Mr. Gardner to you.

b. That I have prepared for you in suitable form an affirmative recommendation to be signed by the Comptroller, the General Counsel, the Chief/AMD and myself.

c. That you authorize the dispatch of the attached cable to General Cabell urging him if possible to advance his return by one day so that he may review the proposed action on 22 December 1954.

d. That if these several steps can be completed by that time, the contract be signed on 23 December.


RICHARD M. BISSELL, JR.
Special Assistant to the Director
for Planning and Coordination

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APPROVED:

ALLEN W. DULLES
Director